



King County

KING COUNTY AUDITOR'S OFFICE

Performance Audit of King County Transit Division Report No. 2009-01

King County Metro Transit operates one of the largest transit systems in the country. The King County Council requested that the auditor's office conduct a performance audit of Transit in order to identify operational efficiencies, potential costs savings and revenue enhancements, and other ways to improve the transit system. Overall, the audit found that Transit is actively engaged in fulfilling its stated mission. Transit's approach to fulfilling its mission has contributed to higher expenditures – a situation exacerbated by reduced revenues and increased costs.

The recommendations in this report have the potential to achieve annual cost savings in the range of \$30 to \$37 million and to boost revenue by as much as \$54 million per year. Added to this is a one-time draw down of \$105 million in excess fund balance. Realizing these results may require trade-offs in Transit priorities but could be a better option than incurring deeper service cuts. Implementation of some recommendations will take time and/or involve important policy choices made by decision-makers.

Background

Transit is a large and complex organization that serves more than 100 million riders annually within a 2,134 square-mile area. With an annual operating budget of nearly \$600 million, Transit operates and maintains a bus fleet of over 1,300 vehicles.

The King County Executive, King County Council, the Regional Transit Committee, and voters all influence Transit policy. Other primary stakeholders include Transit customers and its labor unions.

Common Themes: Planning and Analysis

Transit has multiple opportunities to improve its use of planning and analysis to reduce costs, generate revenues, and achieve its objectives.

Throughout the report, our recommendations are intended to shift Transit's organizational perspective more toward cost reduction and revenue enhancement by operationalizing an approach that includes systematic planning and effective data analysis.

The following sections provide a summary of many of our audit's findings and recommendations.

Service Development Efficiency

The audit identified several opportunities for improving productivity and gaining service efficiencies. Many of these savings would be accomplished through full utilization of the capabilities of scheduling software Transit now owns. If the recommendations were fully

implemented, they could achieve cost savings up to \$23 million per year.

Specific policy guidance and standards, the full use of scheduling software, and analysis of the system as a whole would enhance Transit's ability to make its service more efficient.

	Annual Cost Savings (includes policy choices)	Opportunities for Increased Annual Revenue	One Time Fund Balance Available	Potential Annual Savings if Bargaining Agreement Changed
Service Development	\$16 to \$23 million			
Trolley Replacement	\$8.7 million			
Fare Strategies		Up to \$51 million		
Capital Planning	Unquantified			
Financial Planning	Unquantified		\$105 million	
Access Paratransit	\$5.8 million +	Up to \$2.8 million		
Vehicle Maintenance	Unquantified			
Em. Communication	Unquantified			
Staffing	Partially quantified			\$3.7 million +
SUMMARY	\$30.5 - \$37.5 million	Up to \$53.8 million	\$105 million	\$3.7 million

Financial and Capital Planning

Based on Transit's own financial and bus replacement assumptions, there is a \$105-million surplus in the Revenue Fleet Replacement Fund. We recommend that Transit submit a plan to council for drawing down the surplus.

The audit found that financial policies do not reflect the current environment and recommends that Transit update and submit them to council. We also recommend that Transit's financial planning model be revised, made more transparent, and be shared with council and executive budget staff.

As we have recommended in previous audits, Transit's capital planning and economic analysis process for capital decisions should be more comprehensive. This includes improved asset management controls and monitoring of the condition of major transit facilities.

Staffing

Transit has opportunities to utilize staff resources more efficiently and to achieve cost savings within the current labor agreement. Our recommendations include:

- Better moderation of leave,
- Use of less-costly alternatives for backfilling absences, and
- Collecting data to analyze staffing needs and the relationship of staffing to system performance.

Additional cost-saving options, such as allowing part-time drivers to work on weekends, would require a change in the terms of the bargaining agreement.

Over the last decade, costs for Metro Transit Police (MTP) have more than doubled, due mostly to the higher cost of employing full-time deputies rather than temporary off-duty police officers. The report recommends ways in which MTP could use more effective methods to strengthen its management of its staffing resources.

Trolley Bus Fleet Replacement

Transit's timeline for replacing its current trolley bus fleet is 2014. Audit analysis of lifecycle costs of trolley replacement alternatives noted that hybrid buses would cost \$8.7 million less per year to own and operate than electric trolley buses.

The audit recommends that costs of replacement options be weighed along with the social and environmental factors when deciding on a replacement for the current trolley fleet.

Transit Fares

The county lacks a framework for making fare decisions, and gaps exist between Transit's fare policy and its underlying fare structure and prices. We recommend that Transit develop policy goals for rider fares and consider alternatives for increasing fare revenue.

Our review of fare options found that Transit could generate up to \$51 million annually in additional fare revenues. The audit also identifies ridership loss that would result from each potential fare change. The audit recommends that fare revenue options be considered.

Transit's discounted fares for seniors, the disabled, and youth exceed the minimum discounts specified by the FTA, Transit's own policies, and those provided by national/regional peers. We recommend evaluating fare discounts and pegging them to base fares by percentage.

Transit could not fully explain the calculations involved in charging the City of Seattle for the city's downtown ride free area. We recommend that Transit update and fully document how it calculates those costs.

Paratransit

Access is Transit's paratransit program, required by the Americans with Disabilities Act (ADA). Transit provides paratransit service that exceeds ADA requirements. The service hours and coverage area that surpass the ADA cost Transit more than \$1 million per year. We recommend that Transit present council with policy options for providing Access service to meet, rather than exceed, the ADA and identify impacts to customers.

Access costs have increased 30 percent over the past five years even though Transit has developed several successful programs to contain costs. The report identifies potential savings of up to \$5.8 million per year through productivity improvements, expansion of the community access program, and service modifications.

Vehicle Maintenance

Transit has an outstanding record of on-time preventive maintenance inspections, and its maintenance intervals exceed federal standards. However, this increases costs but may not improve performance.

We recommend that Transit initiate a pilot program to shift the preventive maintenance interval on a sample fleet and analyze any effects on vehicle reliability.

The audit also found that enhancements to productivity practices could result in efficiencies and cost savings and recommend that Transit develop a more comprehensive approach to maintenance productivity standards and monitoring.

Data and Communication

Transit is currently upgrading its technologies to better communicate with customers during emergencies, to process rider fares, to count passengers, and to track the physical location of the buses.

Transit is actively working on initiatives to improve customer communication during emergencies. We recommend that Transit ensure that communication resources achieve objectives for the benefit of the public in the most cost-effective manner.

Although some efforts to implement key emergency communication improvements have begun, they are not yet in place. The audit recommends implementing applications such as route-specific text messaging.

Executive Response

The executive concurred with all but two of the report's 34 recommendations, and partially concurred with one recommendation.